



Title Insurance Overview

***IC Roundtable & Training
Tucson, AZ
April 4, 2006***

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Title Insurance Overview

- **Nature of Title Insurance**
- **Parties Who May Be Insured**
- **Title Insurance Commitments**
- **Title Insurance Policies**

Title Insurance Overview

NATURE OF TITLE INSURANCE

Definition: Title insurance is a contract to indemnify the insured against loss or damage caused by defects in the title to real property.

Title Insurance Overview

NATURE OF TITLE INSURANCE

- Title insurance does not insure the title to personal property
- Title insurance does not insure contract rights or performance under contracts

Title Insurance Overview

NATURE OF TITLE INSURANCE

Title Insurance policies provide both information and insurance whereas other forms of title evidence (abstracts, reports, opinions) only provide information.

Title Insurance Overview

NATURE OF TITLE INSURANCE

Unlike other forms of insurance, title insurance is risk elimination insurance.

Title Insurance Overview

NATURE OF TITLE INSURANCE

How is the risk eliminated?

Title Insurance Overview

NATURE OF TITLE INSURANCE

- Title search & examination
- Proofs of authority
- Careful closing practices

Title Insurance Overview

NATURE OF TITLE INSURANCE

Title Insurance Forms

Title insurance forms consist of commitments, policies and endorsements. In most states, title insurance companies use forms that have been adopted by the American Land Title Association (ALTA).

Title Insurance Overview

NATURE OF TITLE INSURANCE

Title Insurance Regulation & Rates

- Title insurance companies are chartered by the states.
- Premium rates vary from state to state.

Title Insurance Overview

Types of Premium Rates

- All-Inclusive Rate Model
- Risk Rate Model (a la carte)

Title Insurance Overview

Types of Premium Rates

- Promulgated Rates
- Filed Rates
- Bid Rates

Title Insurance Overview

NATURE OF TITLE INSURANCE

Amounts of Insurance

Purchase price; fair market value of the interest; loan amount

Title Insurance Overview

PARTIES WHO MAY BE INSURED

- **Owners**
- **Lenders**
- **Lessees**
- **Other parties who have an title interest in real property**

Title Insurance Overview

TITLE INSURANCE COMMITMENTS

Definition: A title insurance commitment is a contract to issue title insurance once the transaction is closed and its requirements have been met.

Title Insurance Overview

ALTA Commitment

BLANK TITLE INSURANCE COMPANY a Texas Corporation, herein called the Company, for a valuable consideration, hereby **commits to issue its policy or policies of title insurance**, as identified in Schedule A, in favor of the proposed Insured named in Schedule A,

Title Insurance Overview

ALTA Commitment (continued)

as owner or mortgagee of the estate or interest covered hereby in the land described or referred to in Schedule A, upon payment of the premiums and charges therefor; all subject to the provisions of Schedules A and B and to the Conditions and Stipulations hereof.

Title Insurance Overview

ALTA Commitment (continued)

This Commitment shall be effective only when the identity of the proposed Insured and the amount of the policy or policies committed for have been inserted in Schedule A hereof by the Company, either at the time of the issuance of this Commitment or by subsequent endorsement.

Title Insurance Overview

ALTA Commitment (continued)

This Commitment is **preliminary to** the issuance of such policy or policies of title insurance and all liability and obligations hereunder shall cease and **terminate six months** after the effective date hereof or when the policy or policies committed for shall issue, whichever first occurs, provided that the failure to issue such policy or policies is not the fault of the Company.

Title Insurance Overview

ALTA Commitment (continued)

SCHEDULE A

1. Effective Date

2. Policy or Policies to be issued:

(a) A.L.T.A. Owner's	Amount of Insurance \$
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Proposed Insured:

(b) A.L.T.A. Mortgagee's	Amount of Insurance \$
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Proposed Insured:

(c) Leasehold	Amount of Insurance \$
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Proposed Insured

Title Insurance Overview

ALTA Commitment (continued)

3. The estate or interest in the land described or referred to in this Commitment and covered herein is:
4. Title to the _____ estate or interest in said land is at the effective date hereof vested in:
5. The land referred to in this Commitment is described as follows:

Title Insurance Overview

ALTA Commitment (continued)

SCHEDULE A (Legal Description)

SCHEDULE B - SECTION I REQUIREMENTS

Title Insurance Overview

ALTA Commitment (continued)

SCHEDULE B - SECTION II EXCEPTIONS

Any policy we issue will have the following exceptions unless they are taken care of to our satisfaction.

- 1.
- 2.

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TITLE INSURANCE POLICIES

Types of Policies: There are two basic categories of title insurance policies: **Owners** and **Loan (or Mortgagee)** policies. There are several different kinds of Owner and Loan policies. The following is a list of the standard ALTA policies for each category:

Title Insurance Overview

TITLE INSURANCE POLICIES

Owner Policies

ALTA Owner's (10-17-92)

ALTA Homeowner's Policy

ALTA U.S. Policy (09-28-91)

ALTA Residential (06-01-87)

Title Insurance Overview

TITLE INSURANCE POLICIES

Loan (Mortgagee) Policies

ALTA Loan (10-17-92)

Expanded Coverage Residential

ALTA Short Form Residential Loan

ALTA Master Residential Loan

Residential Limited Coverage-Junior

Short Form Limited Coverage-Junior

ALTA Construction Loan (10-17-92)

Title Insurance Overview

TITLE INSURANCE POLICIES

- **ALTA Owners (10-17-92)**
- **ALTA U.S. Policy (09-28-91)**

Title Insurance Overview

TITLE INSURANCE POLICIES

Organization of Policies: There are seven basic parts of a title insurance policy:

- Insuring Provisions
- Exclusions From Coverage
- Schedule A – (Identification Schedule)
- Schedule A – (Legal Description)
- Schedule B - Exceptions From Coverage
- Conditions and Stipulations
- Endorsements

Title Insurance Overview

ALTA Owner's Policy (10-17-92)

SUBJECT TO THE EXCLUSIONS FROM COVERAGE, THE EXCEPTIONS FROM COVERAGE CONTAINED IN SCHEDULE B AND THE CONDITIONS AND STIPULATIONS, BLANK TITLE INSURANCE COMPANY, a _____ corporation, herein called the Company, insures, as of Date of Policy shown in Schedule A, against loss or damage, not exceeding the Amount of Insurance stated in Schedule A, sustained or incurred by the insured by reason of:

Title Insurance Overview

ALTA Owner's Policy (10-17-92) (continued)

1. Title to the estate or interest described in Schedule A being vested other than as stated therein;
2. Any defect in or lien or encumbrance on the title;

Title Insurance Overview

ALTA Owner's Policy (10-17-92) (continued)

3. Unmarketability of the title;

4. Lack of a right of access to and from the land.

Title Insurance Overview

ALTA U.S. Policy (09-28-91) Added Provision

5. In instances where the insured acquires title to the land by condemnation, failure of the commitment for title insurance, as updated to the date of the filing of the *lis pendens* notice or the Declaration of Taking, to disclose the parties having an interest in the land as described by the public records.

Title Insurance Overview

ALTA Owner's Policy (10-17-92) (continued)

The Company will also pay the costs, attorneys' fees and expenses incurred in defense of the title, as insured, but only to the extent provided in the Conditions and Stipulations.

Title Insurance Overview

ALTA Owner's Policy (10-17-92) (continued)

EXCLUSIONS FROM COVERAGE

The following matters are expressly excluded from the coverage of this policy and the Company will not pay loss or damage, costs, attorneys' fees or expenses which arise by reason of:

Title Insurance Overview

ALTA Owner's Policy (10-17-92) (continued)

1. (a) Any law, ordinance or governmental regulation (including but not limited to building and zoning laws, ordinances, or regulations) restricting, regulating, prohibiting or relating to
 - (i) the occupancy, use, or enjoyment of the land;
 - (ii) the character, dimensions or location of any improvement now or hereafter erected on the land;

Title Insurance Overview

ALTA Owner's Policy (10-17-92) (continued)

(iii) a separation in ownership or a change in the dimensions or area of the land or any parcel of which the land is or was a part; or (iv) environmental protection, or the effect of any violation of these laws, ordinances or governmental regulations, except to the extent that a notice of the enforcement thereof or a notice of a defect, lien or encumbrance resulting from a violation or alleged violation affecting the land has been recorded in the public records at Date of Policy.

Title Insurance Overview

ALTA Owner's Policy (10-17-92) (continued)

(b) Any governmental police power not excluded by (a) above, except to exercise thereof or a notice of a defect, lien or encumbrance the extent that a notice of the resulting from a violation or alleged violation affecting the land has been recorded in the public records at Date of Policy.

Title Insurance Overview

ALTA Owner's Policy (10-17-92) (continued)

2. Rights of eminent domain unless notice of the exercise thereof has been recorded in the public records at Date of Policy, but not excluding from coverage any taking which has occurred prior to Date of Policy which would be binding on the rights of a purchaser for value without knowledge.

Title Insurance Overview

ALTA Owner's Policy (10-17-92) (continued)

3. Defects, liens, encumbrances, adverse claims or other matters:

(a) created, suffered, assumed or agreed to by the insured claimant;

(b) not known to the Company, not recorded in the public records at Date of Policy, but known to the insured claimant and not disclosed in writing to the Company by the insured claimant prior to the date the insured claimant became an insured under this policy;

Title Insurance Overview

ALTA Owner's Policy (10-17-92) (continued)

- (c) resulting in no loss or damage to the insured claimant;
- (d) attaching or created subsequent to Date of Policy; or
- (e) resulting in loss or damage which would not have been sustained if the insured claimant had paid value for the estate or interest insured by this policy.

Note: Exclusion 3 (e) is not in ALTA U.S. Policy.

Title Insurance Overview

ALTA Owner's Policy (10-17-92) (continued)

4. Any claim, which arises out of the transaction vesting in the Insured the estate or interest insured by this policy, by reason of the operation of federal bankruptcy, state insolvency, or similar creditors' rights laws, that is based on:
 - (a) the transaction creating the estate or interest insured by this policy being deemed a fraudulent conveyance or fraudulent transfer; or

Title Insurance Overview

ALTA Owner's Policy (10-17-92) (continued)

(b) the transaction creating the estate or interest insured by this policy being deemed a preferential transfer except where the preferential transfer results from the failure:

- (i) to timely record the instrument of transfer; or
- (ii) of such recordation to impart notice to a purchaser for value or a judgment or lien creditor.

Title Insurance Overview

ALTA U.S. Policy (09-28-91)

Different Exclusion 4

4. This policy does not insure against the invalidity or insufficiency of any condemnation proceeding instituted by the United States of America, except to the extent set forth in insuring provision 5.

Title Insurance Overview

ALTA Owner's Policy (10-17-92) (continued)

SCHEDULE A

Date of Policy: _____ Amount of Insurance: \$_____

1. Name of Insured: _____

2. The estate or interest in the land which is covered by this policy is: _____

Title Insurance Overview

ALTA Owner's Policy (10-17-92) (continued)

3. Title to the estate or interest in the land is vested in:
4. The land referred to in this policy is described as follows:

Title Insurance Overview

ALTA Owner's Policy (10-17-92) (continued)

EXCEPTIONS FROM COVERAGE

This policy does not insure against loss or damage (and the Company will not pay costs, attorneys' fees or expenses) which arise by reason of:

Title Insurance Overview

ALTA Owner's Policy (10-17-92) (continued)

[POLICY MAY INCLUDE REGIONAL EXCEPTIONS AND GENERAL EXCEPTIONS, IF SO DESIRED BY ISSUING COMPANY. GENERAL EXCEPTIONS INCLUDE ITEMS LIKE OFF-RECORD RIGHTS OF PARTIES TO POSSESSION, EASEMENTS NOT SHOWN OF RECORD, MATTERS THAT WOULD BE SHOWN BY AN ACCURATE SURVEY, ETC.]

Title Insurance Overview

ALTA Owner's Policy (10-17-92) (continued)

[VARIABLE EXCEPTIONS SUCH AS TAXES,
EASEMENTS, LIENS, COVENEANTS, CONDITIONS &
RESTRICTIONS, ETC.]

Title Insurance Overview

ALTA Owner's Policy (10-17-92) (continued)

Conditions and Stipulations

In addition to the Insuring Provisions, Exclusions from Coverage and Schedules A and B, the policies also contain Conditions and Stipulations. The Conditions and Stipulations cover the following items:

Title Insurance Overview

ALTA Owner's Policy (10-17-92) (continued)

- Definition of Terms
- Continuation of Insurance
- Notice of Claim
- Defense and Prosecution of Actions
- Proof of Loss or Damage
- Options to Pay or Settle Claims
- Determination and Extent of Liability
- Apportionment
- Limitation of Liability

Title Insurance Overview

ALTA Owner's Policy (10-17-92) (continued)

- Reduction of Insurance
- Liability Non-cumulative
- Payment of Loss
- Subrogation upon Payment or Settlement
- Arbitration
- Liability Limited to Policy
- Severability
- Notices

Title Insurance Overview

ALTA Owner's Policy (10-17-92) (continued)

Endorsements

Title insurance policies are often endorsed to tailor coverage to particular transactions. In general, policies that insure the title to commercial properties usually have more endorsements than those that insure the title to residential properties. Some endorsements, like the ones for zoning coverage, require the payment of additional premium, while others are free.

Title Insurance Overview

ALTA Owner's Policy (10-17-92) (continued)

The following is a list of the common ALTA endorsements:

ALTA Endorsement Form 1 - Street Assessment

ALTA Endorsement Form 2 - Truth in Lending

ALTA Endorsement Form 3 - Zoning

ALTA Endorsement Form 3.1 – Zoning – Completed Structures

Title Insurance Overview

ALTA Owner's Policy (10-17-92) (continued)

ALTA Endorsement Form 4 - Condominium

ALTA Endorsement Form 4.1 - Condominium

ALTA Endorsement Form 5 - Planned Unit Development

ALTA Endorsement Form 5.1 - Planned Unit Development

Title Insurance Overview

ALTA Owner's Policy (10-17-92) (continued)

ALTA Endorsement Form 6 - Variable Rate Mortgage

ALTA Endorsement Form 6.1 - Variable Rate Mortgage -
Regulation

ALTA Endorsement Form 6.2 – Variable Rate Mortgage –
Negative Amortization

Title Insurance Overview

ALTA Owner's Policy (10-17-92) (continued)

ALTA Endorsement Form 7 - Manufactured Housing Unit

ALTA Endorsement Form 8.1 - Environmental Protection
Lien

ALTA Endorsement Form 9 - Restrictions, Encroachments

ALTA Endorsement Form 10 - Assignment

ALTA Endorsement Form 10.1- Assignment and Date
Down

Title Insurance Overview

ALTA Owner's Policy (10-17-92) (continued)

ALTA Endorsement Form 11- Mortgage Modification

ALTA Endorsement Form 12 - Aggregation

ALTA Endorsement Form 13 - Leasehold-Owners

ALTA Endorsement Form 13.1 - Leasehold-Loan

ALTA Endorsement Form 14 - Future Advance

ALTA Endorsement Form 14.1 - Future Advance-Knowledge

ALTA Endorsement Form 14.2 – Future Advance - LOC

Title Insurance Overview

ALTA Owner's Policy (10-17-92) (continued)

ALTA Endorsement Form 15 – Non imputation-Full Equity Transfer
ALTA Endorsement Form 15 – Non imputation-Additional Insured
ALTA Endorsement Form 15 – Non imputation-Partial Equity Transfer
ALTA Endorsement Form 16 – Mezzanine Financing
ALTA Endorsement Form 17 – Access and Entry
ALTA Endorsement Form 17.1 - Indirect Access and Entry
ALTA Endorsement Form 18 – Single Tax Parcel
ALTA Endorsement Form 18.1 – Multiple tax Parcel

Title Insurance Overview

ALTA Owner's Policy (10-17-92) (continued)

ALTA Endorsement Form 19 – Contiguity-Multiple Parcels

ALTA Endorsement Form 19.1 - Contiguity-Single Parcel

ALTA Endorsement Form 20 – First Loss (Multiple Parcels)

ALTA Endorsement Form 21 – Creditors' Rights

ALTA Construction Loan Endorsements A, B, C, D

ALTA Endorsement Form JR-1 – Junior Lien

ALTA Endorsement Form JR-2 – Revolving Credit/Variable
rate

Title Insurance Overview

ALTA Owner's Policy (10-17-92) (continued)

The full text for these all of these endorsements can be seen at [www.vuwriter .com](http://www.vuwriter.com) under the “Forms” button.

Title Insurance Overview

Questions?

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